

Message Text

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ORIGIN EUR-12

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NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03
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TO AMEMBASSY ANKARA PRIORITY

INFO AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMCONSUL FRANKFURT

AMCONSUL ISTANBUL

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY NICOSIA

AMEMBASSY PARIS

USMISSION USNATO

AMCONSUL ZURICH

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BRUSSELS ALSO FOR USEEC, PARIS ALSO FOR USOEC

E.O. 11652:GDS

TAGS: EFIN, TU

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SUBJECT:TURKISH FINANCIAL DEVELOPMENTS

REF: ANKARA 2235

1. IN ADDITION TO SIGNING IMF LETTER OF INTENT AND HOLDING
SEPARATE MEETINGS WITH TREASURY SECRETARY BLUMENTHAL,

COUNSELOR NIMETZ, AND EXIM BANK PRESIDENT MOORE (SEPTELS), TURKISH FINANCE MINISTER MUEZZINOGLU MARCH 23 ALSO SAW IBRD PRESIDENT McNAMARA, MET WITH PRESS, AND ATTENDED RECEPTION AT TURKISH EMBASSY.

2. IBRD STAFF MEMBER TOLD DEPTOFF EVENING MARCH 23 THAT McNamara/Muezzinoglu meeting had gone very well. McNamara, who will be visiting Turkey beginning April 9, had indicated World Bank had open, positive attitude toward resuming project lending in Turkey as short-term balance of payments problems began to be overcome. McNamara reportedly suggested to Muezzinoglu that GOT might wish to review medium-term policies in order to avoid recurrence of recent balance of payments difficulties. He also recalled that when he visited Kuwait and Saudi Arabia in January both governments had shown interest in Turkey once current economic problems are surmounted.

3. MUEZZINOGLU WILL MEET WITH TOP EXECUTIVES OF CHASE, CITIBANK, AND MORGAN GUARANTY IN NEW YORK MARCH 24 AND, ACCOMPANIED BY FINANCE MINISTRY OFFICIAL MRS OYmen, WILL STOP IN PARIS EARLY NEXT WEEK ENROUTE BACK TO ANKARA. FINANCE MINISTRY SECRETARY GENERAL GUCSAVAS AND CENTRAL BANK OFFICIAL CANEVI WILL REMAIN IN NEW YORK TO TALK WITH OTHER BANKS MARCH 27 AND WILL THEN STOP IN FRANKFURT AND POSSIBLY ZURICH NEXT WEEK TO MEET WITH PRIVATE BANKS BE-
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FORE RETURNING TO TURKEY.

4. TREASURY AND DEPARTMENT OFFICERS AT THE RECEPTION MARCH 23 EMPHASIZED TO GUCSAVAS THAT USG SAW USEFULNESS OF MEETING IN APPROPRIATE INTERNATIONAL FORUM TO DISCUSS LONGER TERM ECONOMIC PROBLEMS OF TURKEY BUT HAD OPEN MIND ON WHETHER OECD CONSORTIUM SHOULD BE REACTIVATED AT THIS TIME. GUCSAVAS INDICATED THAT GOT WANTS TO CALL A MEETING OF THE CONSORTIUM AT AN EARLY DATE. WHEN ASKED THE PURPOSE OF SUCH A MEETING HE SAID "TO TALK ABOUT TURKEY'S PROBLEMS," INDICATING, WE THOUGHT, THAT LITTLE THINKING AND NO PLANNING HAS GONE INTO THIS POSITION. WE STRESSED IMPORTANCE OF CAREFUL PREPARATION FOR ANY MULTILATERAL MEETING AND EMPHASIZED THAT POSSIBILITIES OF U.S. ASSISTANCE WERE LIMITED AND THAT IN GENERAL SITUATION WAS NOW CONSIDERABLY DIFFERENT THAN WHEN CONSORTIUM WAS ACTIVATED IN THE 1960'S. GUCSAVAS SAID GOT FULLY REALIZED THAT SITUATION HAD CHANGED AND THAT LARGE-SCALE CONCESSIONAL AID WAS NOT AVAILABLE FOR TURKEY. WE ALSO STRESSED THAT AS A MATTER OF POLICY USG WOULD NOT FAVOR OFFICIAL DEBT RESCHEDULING IN FRAMEWORK OF OECD CONSORTIUM.

5. MEMBER OF TURKISH IMF DELEGATION TOLD DEPTOFF THAT AGREEMENT PROVIDES FOR DISBURSEMENT OVER TWO-YEAR PERIOD OF FOUR CREDIT TRANCES (AFTER FORTHCOMING QUOTA INCREASE, THIS WILL AMOUNT TO SOME 200 MILLION SDR) AND THE EQUIVALENT OF TWO CREDIT TRANCES, ABOUT 100 MILLION SDR, EVENTUALLY FROM THE WITTEVEEN FACILITY BUT WHICH WILL BE AVAILABLE ACCORDING TO AGREED DISBURSEMENT SCHEDULE EVEN IF WITTEVEEN FACILITY DELAYED. FUND USING AN EMERGENCY PROVISION TO, IN EFFECT, "BRIDGE" ANY TIME GAP BETWEEN WHEN THIS AMOUNT WOULD BE NEEDED AND WHEN THE WITTEVEEN FACILITY BECOMES AVAILABLE. IN ADDITION, TURKEY WILL BE ALLOWED TO DRAW ITS TOTAL REMAINING ALLOTMENT UNDER THE CFF (37.75 MILLION SDR UNDER THE OLD QUOTA, BUT APPROXIMATELY 74 MILLION SDR UNDER THE NEW QUOTA). THE SDR TOTAL

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EQUALS APPROXIMATELY DOLS 450 MILLION. VANCE

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